

Financial Statements and Reports of  
Independent Certified Public Accountants

**Dunthorpe-Riverdale Service  
District No. 1 – A Component Unit of  
Multnomah County, Oregon**

June 30, 2001 and 2000

## **INTRODUCTORY SECTION**

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1  
A COMPONENT UNIT OF  
MULTNOMAH COUNTY, OREGON**

BOARD OF COUNTY COMMISSIONERS\* AS OF JUNE 30, 2001  
501 SE Hawthorne, 6<sup>th</sup> floor  
Portland, Oregon 97214

	<u>Term Expires</u>
Diane Linn, Chair of the Board	December 31, 2002
Serena Cruz, Commissioner	December 31, 2002
Lisa Naito, Commissioner	December 31, 2004
Lonnie Roberts, Commissioner	December 31, 2004
Maria Rojo de Steffey, Commissioner	December 31, 2004

**REGISTERED AGENT**

David A. Boyer

**REGISTERED OFFICE**

501 SE Hawthorne, 4<sup>th</sup> floor  
PO Box 14700  
Portland, Oregon 97293-0700

\* Governing body of Dunthorpe-Riverdale Service District No. 1 reported on herein.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1  
A COMPONENT UNIT OF  
MULTNOMAH COUNTY, OREGON**

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# MULTNOMAH COUNTY OREGON

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**COUNTY COMMISSIONERS**

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**DEPARTMENT OF SUPPORT SERVICES  
FINANCE DIVISION**

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DIANE LINN, CHAIR  
MARIA ROJO DE STEFFEY,  
DISTRICT #1  
SERENA CRUZ, DISTRICT #2  
LISA NAITO, DISTRICT #3  
LONNIE ROBERTS, DISTRICT #4

MULTNOMAH BUILDING  
501 SE HAWTHORNE BLVD.  
4<sup>TH</sup> FLOOR  
PO BOX 14700  
PORTLAND, OR 97293-0700  
PHONE (503) 988-3312  
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2505 SE 11<sup>TH</sup> 1<sup>ST</sup> FLOOR  
  
PORTLAND, OR 97202  
PHONE (503) 988-5111  
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December 7, 2001

Honorable County Chair and  
Board of County Commissioners  
Multnomah County, Portland, Oregon

We are pleased to submit the Financial Statements and Additional Information Report for Dunthorpe-Riverdale Service District No. 1, Portland, Oregon (the District), for the fiscal years ended June 30, 2001 and 2000. This report includes the opinion of our independent auditors, Grant Thornton LLP, Certified Public Accountants.

We prepared this report for the Secretary of the State of Oregon as required under ORS 297.425. The District's financial statements are also included in the Comprehensive Annual Financial Report of Multnomah County (the County) as a blended component unit. This is necessary because the Board of County Commissioners of Multnomah County maintains overall financial accountability for the District.

Dunthorpe-Riverdale Service District No. 1 was organized in 1964 under the provisions of ORS 451. The District's purpose was to finance the construction and operation of sanitary sewer systems in the southwest areas of the County, bordering the Willamette River and a small portion of northern Clackamas County. By 1970 the District had eliminated a major source of pollution in the Willamette River.

The District is accounted for as an enterprise fund. Enterprise funds generate revenue for operations by charging user fees to recover all costs of goods and services to the public. The measurement focus is on a flow of economic resources and the accrual basis of accounting is used. Under the accrual basis of accounting, revenues are recorded at the

time they are earned and expenses are recorded at the time the liabilities are incurred.

Oregon Local Budget Law requires the use of budgetary control. The "Additional Information" section of the report includes the related budgetary schedules.

The District consists of approximately 553 households at June 30, 2001. Modest growth has been achieved primarily through subdivision of large estates and in-fill of previously unbuildable lots. During the past five years small operating losses have been offset by interest income, resulting in small net incomes or losses which are close to break-even. The District continues to maintain a strong working capital position. Following is a summary of some key financial data which is summarized from current and prior years' financial statements:

	Year ended June 30				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Operating revenue	\$249,149	\$254,791	\$244,209	\$237,930	\$205,018
Depreciation expense	33,474	28,374	28,374	28,374	28,374
Operating income (loss)	(36,880)	12,642	20,252	19,565	22,471
Net income (loss)	29,415	66,052	64,090	60,456	57,326
Capital contributions	2,500	5,000	10,000	10,000	9,930
Net working capital	494,122	941,233	841,807	739,343	640,513
Total assets	2,081,995	1,585,289	1,457,743	1,377,018	1,301,893
Total equity	1,511,376	1,481,961	1,410,909	1,336,819	1,266,363

I would like to acknowledge the help of the Finance Division staff, especially Bill Moravics, Financial Specialist II, and Mindy Harris, Accounting Manager, who aided me in the preparation of this report. I appreciate their excellent work. I also want to thank the staff in the Department of Sustainable Community Development for their contributions during the year.

Respectfully submitted,

David A. Boyer, CCM  
Finance Director

## **FINANCIAL SECTION**

Report of Independent Certified Public Accountants

The Board of County Commissioners  
Dunthorpe-Riverdale Service District No. 1

We have audited the accompanying general purpose financial statements of Dunthorpe-Riverdale Service District No. 1 as of June 30, 2001 and 2000 and for the years then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Dunthorpe-Riverdale Service District No. 1's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Dunthorpe-Riverdale Service District No. 1 as of June 30, 2001 and 2000 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents as "Additional Information" are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Dunthorpe-Riverdale Service District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

GRANT THORNTON LLP

Portland, Oregon  
December 4, 2001

By: /s/ Gary C. Homsley



**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**BALANCE SHEETS**

	<b>June 30</b>	
<b>ASSETS</b>	<b>2001</b>	<b>2000</b>
Current assets:		
Deposits with fiscal agents (Note 2)	\$ 1,051,021	\$ 1,030,170
Receivables, net (Note 3)	13,720	14,391
Prepaid expense	0	0
Total current assets	1,064,741	1,044,561
Property and equipment, at cost	1,928,698	1,418,698
Less: accumulated depreciation	(911,444)	(877,970)
Net property and equipment	1,017,254	540,728
Total assets	\$ <u>2,081,995</u>	\$ <u>1,585,289</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ <u>570,619</u>	\$ <u>103,328</u>
Equity:		
Contributed capital (Note 4)	1,850,663	1,850,663
Retained deficit (Note 5)	(339,287)	(368,702)
Total equity	1,511,376	1,481,961
Total liabilities and equity	\$ <u>2,081,995</u>	\$ <u>1,585,289</u>

The accompanying notes are an integral part  
of the component unit financial statements.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED DEFICIT**

	<b>Year Ended June 30</b>	
	<b>2001</b>	<b>2000</b>
Operating revenues:		
Sewer user assessments	\$ <u>249,149</u>	\$ <u>254,791</u>
Operating expenses:		
Cost of sales and services	245,634	206,518
Depreciation	33,474	28,374
Administrative support (Note 6)	<u>6,921</u>	<u>7,257</u>
Total operating expenses	<u>286,029</u>	<u>242,149</u>
Operating income	<u>(36,880)</u>	<u>12,642</u>
Non-operating revenue:		
Interest income	63,795	53,410
Contributed Connection Fees	<u>2,500</u>	<u>0</u>
Total non-operating revenues	<u>66,295</u>	<u>53,410</u>
Net income	29,415	66,052
Retained deficit, beginning of year	<u>(368,702)</u>	<u>(434,754)</u>
Retained deficit, end of year	\$ <u><u>(339,287)</u></u>	\$ <u><u>(368,702)</u></u>

The accompanying notes are an integral part  
of the component unit financial statements.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended June 30</b>	
	<b>2001</b>	<b>2000</b>
Cash flows from operating activities:		
Operating income	\$ (36,880)	\$ 12,642
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	33,474	28,374
Changes in assets and liabilities:		
(Increase) decrease in receivables	671	(1,613)
Increase in accounts payable	467,291	56,494
Net cash provided by operating activities	464,556	95,897
Cash flows from noncapital financing activities:		
Contributions from connection fees	2,500	5,000
Net cash provided by noncapital financing activities	2,500	5,000
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	(510,000)	
Net cash used by capital and related financing activities	(510,000)	
Cash flows from investing activities:		
Interest income	63,795	53,410
Net cash provided by investing activities	63,795	53,410
Net increase in cash and cash equivalents	20,851	154,307
Deposits with fiscal agents, beginning of year	1,030,170	875,863
Deposits with fiscal agents, end of year	\$ 1,051,021	\$ 1,030,170

The accompanying notes are an integral part of the component unit financial statements.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001 and 2000**

1. Organization and Summary of Significant Accounting Policies

Dunthorpe-Riverdale Service District No. 1 (the District) was organized in 1964 under the provisions of Oregon Revised Statutes (ORS) Chapter 451 to finance the construction and operation of sanitary sewer systems in the southwest unincorporated area of Multnomah County (the County), bordering the Willamette River and a small portion of northern Clackamas County. The Multnomah County Board of Commissioners is the governing body of the District, as provided for by ORS 451.485.

Reporting Entity

The accompanying financial statements have been prepared for purposes of Oregon statutory reporting requirements. As the Multnomah County Board of Commissioners maintains overall financial accountability for the District, the financial statements of the District are included in the financial statements of the County, as an enterprise fund.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred. The measurement focus is on the flow of economic resources. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. All Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, have been applied.

Property and Equipment

Property and equipment consist of sewer lines and pumping facilities and are stated at historical cost or estimated historical cost at time of acquisition, or fair value on date donated for donated assets. Fixed assets valued at estimated historical costs are minor. Normal maintenance and repairs are expensed as incurred. Expenditures for major additions, improvements and replacements are capitalized. Gain or loss on retirement or disposal is reflected in income.

Depreciation on property and equipment is provided on the straight-line method at rates based on the estimated lives of the related assets, which are 50 years for sewer lines and pumping facilities. Depreciation on assets acquired through contributions is charged to retained earnings.

**DUNTHORPE-RIVERDALE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

Organization and Summary of Significant Accounting Policies (continued)

Budgets

The District prepares budgets as required by State law. The budget process is described in the Multnomah County June 30, 2001 Comprehensive Annual Financial Report.

Cash Flows

For purposes of the statements of cash flows, the District considers the account titled Deposits with Fiscal Agents, which consists of the District's share of cash held by the County Finance Division in a manner similar to a cash management pool, to be cash and cash equivalents.

2. Deposits with Fiscal Agents

Cash is held by the County Finance Division and is commingled with the cash, time deposits and investment accounts of the County. The District is allocated investment earnings based on its proportionate cash balance monthly. See the Multnomah County June 30, 2001 Comprehensive Annual Financial Report for: basis of investments, types of investments and information regarding the risk categories of investments held.

3. Receivables

	<u>June 30</u>	
	<u>2001</u>	<u>2000</u>
Sewer User Assessments	\$16,071	\$14,799
Less: allowance for doubtful accounts	<u>(2450)</u>	<u>(600)</u>
Subtotal	13,621	14,199
Receivables from foreclosures	<u>99</u>	<u>192</u>
Receivables, net	<u><u>\$13,720</u></u>	<u><u>\$14,391</u></u>

The allowance for doubtful accounts represents the District's best estimate of receivable amounts that will not be collected. In determining the allowance, the District considers historical write-offs as well as current economic factors.

**DUNTHORPE-RIVERDALE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

4. Contributed Capital

The following is a summary of the activity in the contributed capital account:

Contributed Capital, June 30, 1999	\$1,845,663
Add:	
Contributions from connection fees	5,000
Contributed Capital, June 30, 2000, 2001	<u>1,850,663</u>

5. Retained Deficit

The District has an unreserved retained deficit of \$339,287 at June 30, 2001. The deficit exists because sewer user service charge rates have not been sufficient over the life of the District to cover expenses. The District's current policy is to recover the cost of operations through user charges. The District has a positive total fund equity due to contributed capital.

6. Transactions with Multnomah County

The County Department of Sustainable Community Development provides operating management and planning for the District. General administrative functions are performed by other units of the County. All services are performed on a cost reimbursement basis. Reimbursements to the County were \$6,921 and \$7,257 for fiscal 2001 and 2000, respectively.

7. Intergovernmental Agreements

The City of Portland provides sewer line and pump maintenance, transportation and sewage treatment for the District.

8. Risk Management

See Note 14 - Risk Management in Multnomah County's June 30, 2001 Comprehensive Annual Financial Report for information pertaining to risk management activities.

**DUNTHORPE-RIVERDALE DISTRICT NO. 1  
A COMPONENT UNIT OF  
MULTNOMAH COUNTY, OREGON  
NOTES TO FINANCIAL STATEMENTS (Continued)**

9. Reclassifications

Certain reclassifications were made to the 2000 numbers in order to conform to current year presentations.

10. GASB No. 33

The county adopted GASB No. 33, Accounting for Financial Reporting for Nonexchange Transactions, effective July 1, 2000. Accordingly, the County began recognizing capital contributions to proprietary funds as revenue instead of contributed capital.

**ADDITIONAL INFORMATION**



**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**BUDGETARY BASIS**

The following Schedule of Revenues and Expenditures for the District is prepared on a budgetary basis which differs from generally accepted accounting principles and the accompanying component unit financial statements in the following respects:

- Special assessment and property tax revenue is recognized as it becomes measurable and available;
- Capital outlay is reflected as an expenditure;
- Contributed capital, other than non-current assets, is reflected as revenue; and
- Depreciation is not recorded.

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND BUDGETARY BASIS ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**  
**(Unaudited - See accompanying auditors' report)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES:</b>			
Assessments - sewer	\$ 248,000	\$ 248,436	\$ 436
Charges for services	10,000	2,500	(7,500)
Interest	25,000	63,794	38,794
Total revenues	<u>283,000</u>	<u>314,730</u>	<u>31,730</u>
<b>BEGINNING FUND BALANCE</b>	850,000	928,761	78,761
Total	\$ <u><u>1,133,000</u></u>	\$ <u><u>1,243,491</u></u>	\$ <u><u>110,491</u></u>
<b>EXPENDITURES:</b>			
Environmental Services:			
Materials and services	\$ 243,000	\$ 250,705	\$ (7,705)
Capital outlay	510,000	510,000	0
Contingency	40,000	0	40,000
Total expenditures	<u>793,000</u>	<u>760,705</u>	<u>32,295</u>
<b>ENDING FUND BALANCE</b>	340,000	482,786	142,786
Total	\$ <u><u>1,133,000</u></u>	\$ <u><u>1,243,491</u></u>	\$ <u><u>110,491</u></u>

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**SCHEDULES OF SPECIAL ASSESSMENT TRANSACTIONS**  
**FOR THE YEARS ENDED JUNE 30, 2000 AND 2001**  
**(Unaudited - See accompanying auditors' report)**

**Fiscal Year 2001**

	<u>Amounts Uncollected June 30, 2000</u>	<u>Levy/ Assessments as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest Received</u>	<u>Cancellations and Adjustments</u>	<u>Interest and Tax/ Assessment Collections</u>	<u>Amounts Uncollected June 30, 2001</u>
<b>General Fund Special Assessment</b>							
2000-2001	\$ -	\$ 257,172	\$ (6,093)	\$ 148	\$ (581)	\$ (241,452)	\$ 9,194
1999-2000	8,642			217	(1,325)	(3,604)	3,930
1998-1999	3,546			131	(789)	(980)	1,908
1996-1997 and prior years	2,611			416	(246)	(1,742)	1,039
	<u>\$ 14,799</u>	<u>\$ 257,172</u>	<u>\$ (6,093)</u>	<u>\$ 912</u>	<u>\$ (2,941)</u>	<u>\$ (247,778)</u>	<u>\$ 16,071</u>

**Fiscal Year 2000**

	<u>Amounts Uncollected June 30, 1999</u>	<u>Levy/ Assessments as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Interest Received</u>	<u>Cancellations and Adjustments</u>	<u>Interest and Tax/ Assessment Collections</u>	<u>Amounts Uncollected June 30, 2000</u>
<b>General Fund Special Assessment</b>							
1999-2000	\$ -	\$ 256,666	\$ (6,169)	\$ 138	\$ (207)	\$ (241,786)	\$ 8,642
1998-1999	7,559			312	(269)	(4,056)	3,546
1997-1998	3,357			261	(166)	(1,636)	1,816
1996-1997 and prior years	2,037			318	(124)	(1,436)	795
	<u>\$ 12,953</u>	<u>\$ 256,666</u>	<u>\$ (6,169)</u>	<u>\$ 1,029</u>	<u>\$ (766)</u>	<u>\$ (248,914)</u>	<u>\$ 14,799</u>

**DUNTHORPE-RIVERDALE SERVICE DISTRICT NO. 1**  
**A COMPONENT UNIT OF**  
**MULTNOMAH COUNTY, OREGON**  
**RECONCILIATION OF BUDGETARY REVENUES TO**  
**INTEREST AND TAX/ASSESSMENT COLLECTIONS**  
**(Unaudited - See accompanying auditors' report)**

	<b>Year ended June 30</b>	
	<b>2001</b>	<b>2000</b>
<b>Revenues, per Schedule of Revenues and Expenditures - Budget and Budgetary Basis Actual:</b>		
Assessments - sewer	\$ 248,436	\$ 253,259
<b>Add (Subtract):</b>		
Sales on foreclosure	(99)	(260)
Miscellaneous revenues		(3,770)
Sixty day tax/assessment accrual, net	<u>(559)</u>	<u>(315)</u>
<b>Interest and Tax/Assessment Collections, per Schedule of Special Assessment Transactions</b>	<b>\$ <u>247,778</u></b>	<b>\$ <u>248,914</u></b>

**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
REQUIRED BY STATUTES**

Report of Independent Certified Public Accountants  
on the District's Compliance and Certain Items Based on  
an Audit of General Purpose Financial Statements Performed  
in Accordance with Oregon Auditing Standards

The Board of County Commissioners  
Dunthorpe-Riverdale Service District No. 1

We have audited the general purpose financial statements of Dunthorpe-Riverdale Service District No. 1 as of and for the year ended June 30, 2001 and have issued our report thereon dated December 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Dunthorpe-Riverdale Service District No. 1 is the responsibility of District's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered, as required by Oregon Administrative Rules 162-10-230 through 162-10-320, included but were not limited to the following:

Accounting and Internal Control Structure - Our report on the accounting and internal control structure is presented separately under this cover.

Programs funded from outside sources - Pertaining to programs funded with state and federal revenues, if any.

Financial Reporting Requirements - Whether financial reports and related data filed with other governmental agencies, if any, in conjunction with programs funded wholly or partially by such agencies were in agreement with or supported by the accounting records.

Compliance with Legal or Other Requirements -

Accounting Records - Pertaining to the condition and adequacy of accounting records

Collateral - Pertaining to the amount and adequacy of collateral pledged by depositories to secure the deposit of public funds

Budget - Relating to the preparation, adoption and execution of the annual budget for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year.

Insurance - Relating to insurance and fidelity bond coverage

Investments - Pertaining to the investment of public funds

Public Contracts and Purchasing - Pertaining to (as contained in ORS Chapter 279) the advantage of public contracts and the construction of public improvements

The results of our tests indicate that, with respect to the items tested, Dunthorpe-Riverdale Service District No. 1 complied in all materials respects with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended solely for the use of management, the Board of County Commissioners and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

Portland, Oregon  
December 4, 2001

/s/ Grant Thornton LLP

Report of Independent Certified Public Accountants  
on the District's Internal Control Structure Based on  
an Audit of General Purpose Financial Statements

The Board of County Commissioners  
Dunthorpe-Riverdale Service District No. 1

We have audited the general purpose financial statements of the Dunthorpe-Riverdale Service District No. 1 as of and for the year ended June 30, 2001 and have issued our report thereon dated December 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Dunthorpe-Riverdale Service District No. 1 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Dunthorpe-Riverdale Service District No. 1, for the year ended June 30, 2001, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.



Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. Those standards define a material weakness as a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management, the Board of County Commissioners and the Secretary of State, Division of Audits, of the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.

Portland, Oregon  
December 4, 2001

/s/ Grant Thornton LLP